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## THE FEDERAL DIARY

## Retirement Age Safe

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**T**he administration's plan to raise the federal retirement age from 55 to 65 is not going to go anywhere this year, because politicians have come to believe that the short-haul savings it would produce aren't worth the political hassle.

Congressional insiders say the Reagan administration has all but abandoned hopes of winning a change in federal pension rules that would drastically reduce benefits for employees who retire before their 65th birthday.

Currently workers who retire at age 55 after 30 years with the government are entitled to an annuity equal to 56.25 percent of salary averaged out over their highest three years. Under the White House plan, employees would have their annuities reduced by 5 percent for each year they were under age 65 at the time of retirement.

Adding 10 years to employees' work time (and taking 10 years off their retirement) would save the government billions of dollars over the long haul.

But it would be years before any significant savings would begin to show up. For political and fiscal policy reasons, this Congress is interested in immediate savings to help reduce the deficit—which few people understand completely but nearly everyone agrees is bad.

The Democratic-controlled House has repeatedly rejected the higher retirement age. Earlier this year Senate leaders endorsed the so-called early retirement penalty. But they now say that the plan has been dropped from the budget the Senate approved last month.

Federal and postal union leaders, who are suspicious of a last-minute budget shuffle, warn that the Senate budget package calls for "unspecified savings" to be made in the federal retirement program. But the Budget Committee denies

categorically that that is code for raising the retirement age.

Senate and House conferees will meet later this month to work on a compromise federal savings-spending plan for the fiscal year that begins in October. Although the budgets call for almost identical savings of about \$10 billion in federal pay and pension programs during the next three years, they recommend very different ways to achieve those savings.

Neither the Senate nor the House budgets call for a federal civilian pay raise in 1986.

The Senate version calls for a 1986 freeze on all cost-of-living adjustments—including Social Security, civil service and military retirement benefits. It also would require federal and postal workers to increase the amount of money they contribute to the retirement fund from 7 percent to 9 percent.

The House budget provides for savings to be made by cuts in activities contracted out by the government, and through the pay freeze.

Because of the complexity of the budget process, anything can happen when the conferees begin working under deadline to come up with a compromise budget. But it is considered unlikely that any changes that are made in the federal retirement system will involve raising the retirement age.